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RUEHSG/AMEMBASSY SANTIAGO 8958
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SUBJECT: UNCERTAINTY REGARDING ALLEGED DEAL WITH IRAN

Classified By: Amb. David N. Greenlee for reasons 1.4 (b) and (d).

¶1. (C/NF) Press reports from Tehran state that Bolivian Minister of Economic Development Celinda Sosa signed a memorandum of understanding with the Government of Iran (GOI) for the expansion of industrial and mineral cooperation, but GOB officials could not confirm the signing for Embassy officials. Ministry of Foreign Affairs officials strongly denied that the GOB was entering into agreements with Iran; Embassy contacts in the president's office said the GOB has not signed any formal agreement with Iran while conceding that GOB contacts with Iran are being kept "very secret." Sosa's own Vice Minister of Industry, Commerce and Exports Gustavo Barbary, told us he knew only that Sosa was traveling somewhere in the Middle East.

¶2. (S/NF) Sensitive reporting indicates increasing contacts between the GOB and the GOI in past months. President Morales met with Iran's Ambassador to Venezuela, Ahmad Sobhani, on the margins of the Mercosur meeting in Caracas on July 4, followed by a second meeting in Bolivia in mid-July, possibly related to a Venezuelan-Iranian donation of fifty tractors to Bolivia. Separately, our contacts in the president's office confirmed that Iran sent a Brazil-based special envoy to Bolivia in July. We were offered no read-out of this visit.

¶3. (S/NF) Comment: We have cautioned the GOB about pursuing relations with Iran. Our inability to confirm Sosa's reported MOU is unsurprising, given the level of secrecy which is surrounding the GOB's flirtation with Iran. We would not, however, be surprised if the MFA is out of the loop. The evolution of this relationship is clearly something that is being pursued at the highest level of this government. While Vice President Garcia Linera has indicated to us that he understands U.S. concerns, high level contacts persist, probably on the direct initiative of President Morales and at the instigation of Venezuelan President Hugo Chavez. The broad nature of the agreement reported would seem to indicate more a statement of intent to expand relations than a confirmation of concrete action. Nonetheless, Iran has expertise that could be useful to the GOB, particularly in the hydrocarbons field, and the GOB seems intent on

continuing to explore expanding ties. End comment.
GREENLEE